

AR41

9th
annual
report



Great National Land & Investment Corp. Ltd.

1972

17 Church Street, Nanaimo, B.C.

Great National Land & Investment Corp. Ltd.

9th annual report



Aerial view of Nanaimo, one of Canada's fastest growing cities.

TABLE OF CONTENTS

Directors and Officers	3
Director's Report	4
Commercial Properties, New Fields	5, 6
Scope of Operations	7
Great National Consolidated Balance Sheet	8, 9
Great National Consolidated Statement of Income	10
Great National Consolidated Statement of Retained Earnings	11
Great National Statement of Source and Application of Funds ..	12
Notes to Consolidated Financial Statements	13, 14, 15, 16
First Quarter Highlights	17
Land Development ..	19
Residential Development	20, 21, 22
Directors — Nanaimo Realty Co. Ltd. (Nanaimo, Courtenay, Campbell River) Sun Glo Lumber Co. Ltd. Paradise Mobile Homes Ltd.	23



Nanaimo from the ocean with mountains in the background

DIRECTORS

Robert Arnett

Jack D. Bowe

Jack Coates

William H. Coats

Harry Donald

Clarence Entwisle

Alfred C. Fillinger

Robert W. Golding

James O. Goodwin

Minard G. Hill

Michael Kronyk

Donald J. McRae

Lauren Miller

William Morrell

Leslie Mottishaw

Frank J. Ney

William B. Ney

William S. Watson

Carnduff Scott

Glenn Sinclair

OFFICERS

Clarence Entwisle, Chairman

Frank J. Ney, President

William B. Ney, Vice-President

Glenn Sinclair, Secretary

James O. Goodwin, Treasurer

HEAD OFFICE

17 Church Street
Nanaimo, B.C.

AUDITORS

Messrs. Church, Pickard, Lane & Newman
Nanaimo, B.C.

LEGAL COUNSEL

Farris, Farris, Vaughan, Taggart, Wills &
Murphy
Vancouver, B.C.

MacIsaac, Clark, Sinclair & McNeil
Nanaimo, B.C.

BANKERS

The Royal Bank of Canada
Nanaimo, B.C.

Bank of British Columbia
Nanaimo, B.C.

REGISTRAR & TRANSFER AGENT

Montreal Trust Company
Victoria and Vancouver, B.C.

TRUSTEE

Montreal Trust Company
Vancouver, B.C.

FISCAL AGENTS

Odlum Brown and T.B. Read Ltd.
Vancouver, B.C.

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholder:

In many areas of your company's activities, the fiscal year which ended April 30th, 1972, was one of considerable achievement. The net income before tax of \$145,839 is the largest amount of pre-tax earnings in Great National's history. Gross revenues also hit a record high of \$6,378,382, up 21.8% from the previous year's total of \$5,233,988.

At the end of the fiscal period total assets were \$11,073,874, up about 5% from the previous year's total of \$10,558,351.

As Great National shareholders are aware, this company for some time has followed a very conservative policy with regards to declared profits. Sales of subdivided land are recorded on the signing of an enforceable contract, but the profit thereon is deferred until such time as the proceeds of the sale are received. Unrealized income, including deferred real estate profits and mortgage discounts, now totals \$1,139,303, up \$166,711 (about 17%) from 1971. This equals about 46¢ of deferred profits for every share issued, and represents a solid financial foundation for future growth. Company policy is to accelerate development and marketing of our long term land bank in the coming year which should reflect increased profits.

In other accounting matters, during the fiscal year the company adopted several changes in accounting procedures. These changes are in accordance with recent recommendations of the Canadian Institute of Chartered Accountants.

To further stabilize our financial structure, bank borrowings have been reduced and replaced with long term debt. This lets us utilize financial planning more effectively for the long term.

Although net income before taxes hit a record level, net consolidated income after taxes was \$64,496, down from the previous year figure of \$125,068. Part of this reduction arises because of the new method of deferring income taxes, and part arises from losses in several departments. Before tax profits produced by brokerage, land sales, and insurance departments were about \$290,000, but losses in construction, mobile homes, and commercial rentals cut this amount in half. We have now taken several positive steps which we feel will eliminate these losses in the future.

First, the mobile home division has been re-organized under a new administration. (This is potentially a very profitable department; in 1970 in the United States 28% of all housing starts were in mobile homes.) After just a few months under the new arrangement there has been a distinct turn-around in this division, and we feel confident that further improvement will be made during the present fiscal year.

Second, the construction division has also been re-organized. While it is too soon to make exact forecasts in an area such as this where considerable lead time is involved, we do hope that our last year's loss can be reversed into a profit during fiscal '72-73.

Third, in the commercial rentals department, we have renegotiated a number of leases with major tenants which should result in better earnings in this division. During the early stages of some of the leases — particularly those with national tenants — we had substantially more overhead costs than anticipated because additional capital expenditures were necessary to meet lease commitments. Once these commitments have been met, however, there should be no further unexpected costs during the lease term, and so we feel that a far brighter earnings picture will develop in this department.

Inflationary pressures also affected our earnings. During the year, for example, financial interest expense increased by 37%, with some of this increase due certainly to a shrinking dollar value.

As with any growing and expanding company, overhead expenses are an ever-present factor. During the year Great National's

general and administrative expenses increased by 29%. Some of this increase is absolutely essential for continued growth, but some of it can be pared with streamlining of our internal activities. That we are now doing, and such saving should be apparent in our next annual report. For instance, we intend to acquire or dispose of fractional holdings in subsidiary companies, merging these operations with Great National. This will result in greater operating efficiency and reduced overhead costs. We are also examining other internal areas where savings can be achieved through simplifying or combining complex or extraneous operations. The goal is to utilize our employees to the maximum of their abilities while at the same time planning for sound growth in the future.

Some of these streamlining measures are already apparent in the figures for the first quarter's operation of fiscal 1972-73.

For the three months ended July 31/72, expenses are down over \$67,000 from the comparable 1971 period. While gross revenue was also down fractionally, net consolidated profit for the period after taxes was \$31,967, up 160% over the 1971 total of \$12,249. With continuing land sales, and improvement in other areas of your company as detailed above, we have every hope that this profit trend will carry through for the entire current fiscal year.

Great National's policy has always been to plan and develop securely for the continuing long term growth and profitability of the company.

That policy is being followed just as actively and just as conscientiously today as it was when Great National came into being.

On behalf of the Board of Directors,

Frank J. Ney

Frank J. Ney, President



GREAT NATIONAL OFFICES

From this office at Nanaimo and associated branch offices at Duncan, Courtenay, Comox and Campbell River, a staff of approximately 220 personnel generates real estate sales, insurance and mortgage brokerage, plus construction and land development to many millions of dollars per annum. The offices of this old established group of companies are proud of the service, experience and reputation maintained over many years operating from this Vancouver Island land mark.



Pictured above is a small flotilla of the huge sailing fleet of Nanaimo. This sport has become extremely popular in the Gulf Islands and is increasing the values of residential and resort lots as more and more people come from the mainland area to retire and to spend their holidays. It is anticipated that Vancouver Island's population will come close to tripling in the next 30 years from 340,000 to approximately 900,000. Vancouver Island is approximately the size of England.

COMMERCIAL PROPERTIES

The company has been acquiring strategic commercial sites in downtown commercial areas. The building at right, which was originally tenanted by the Bank of British Columbia in Nanaimo at the early part of the century, and subsequently by a fraternal order, has recently been remodelled into five thousand feet of commercial space and fully leased to national tenants.

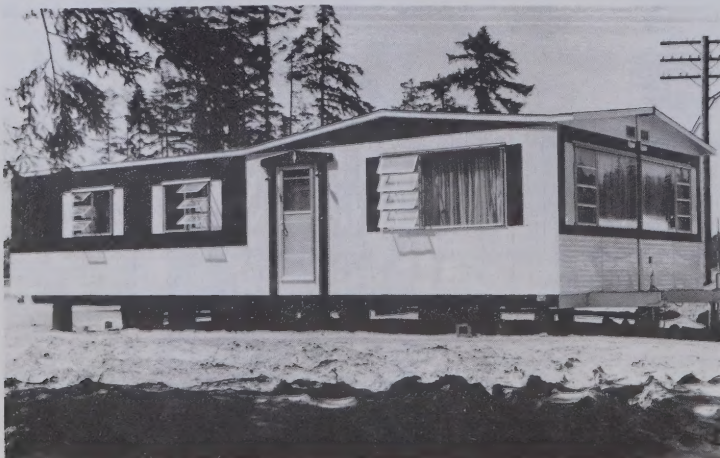




SUN GLO LUMBER – This lumber supply business has doubled its sales since acquisition. The company is improving its facilities and service monthly. It will be examining further potential in the field in different sectors of the market. This division has great gross possibilities.



During the past year the company has acquired good industrial revenue producing properties in Nanaimo and Courtenay. Many of them have national leases. This is a new field of endeavour and is providing a sound basis for future profits.



PARADISE MOBILE HOMES – This is a comparatively new field of endeavour for Great National Land, which has now become a major shareholder in Paradise Mobile Homes Ltd. After some administration difficulties, this division has now been re-organized and we expect to be able to make a major announcement about future plans for this sector of the company in the next few months.

Mobile homes now constitute nearly 40% of the new detached dwellings in the United States, and we anticipate good opportunities in this field.

SCOPE OF OPERATIONS

Great National Land & Investment Corp. Ltd. is now one of Canada's leading diversified real estate companies. With total company assets above \$11 million, and one of the largest and most carefully planned land banks in the country, Great National is active in all areas of the broad realty field.

Headquarters of the company are located in Nanaimo, the fastest growing area of Vancouver Island. Branch offices are located throughout the Island, including such key economic areas as Campbell River, Courtenay, Comox, and Duncan, and further diversification is actively contemplated, including offices in the population-rich Lower Mainland area.

The Profit and Loss Statement attached contains good news in vital economic points.

During the past fiscal year income from mortgages and notes increased by 14.3%.

Rental income was up 36%, and reflects Great National's increasing interest in long term stable income-producing properties which will ride out any temporary economic setbacks.

Gross income from Sun Glo Lumber, our aggressive building supply company in the retail and wholesale fields, was up 40.7%. This bears out our belief that this field will continue to grow rapidly as Vancouver Island builders try to keep pace with the soaring population increase. We anticipate a continuing growth in profits from this old established firm.

Total revenues for the company were up \$627,910 — 37.0% over the previous year, and is now approaching the \$2½ million mark.

Brokerage and Insurance commissions contributed an increase of 30.7% to \$731,563.

Increase in revenues from equities in private companies totalled \$28,946 compared to prior year of \$4,045. As the land holdings of these associated companies are developed, greater profits will accrue to Great National.

In its earlier days, the company was strictly a Real Estate Brokerage firm. Great National is now diversified into all aspects of the real estate field. The company buys raw land, develops it with services, promotes and markets it to the public, arranges mortgage money, either with its own funds or through other firms, arranges and places all types of insurance, buys, renovates, and leases out residential, commercial, and industrial properties, sells building materials, develops and markets mobile homes and parks (1 out of every 5 new homes is now of the mobile type), and plans and develops complete residential and resort communities. The company also has its own construction division.

During the past year the construction and mobile home divisions have experienced losses which reduced the overall anticipated profit but both of these sectors have been re-organized and preliminary figures indicate a considerably different picture. The Mobile Home Division offers particularly good potential and the company will become more aggressive in this field in the immediate future.

Though Great National has only been a public company for 9 years, the brokerage arm, Nanaimo Realty Co. Ltd., has operated successfully on Vancouver Island for approximately 30 years. During this period the company showed steady and successful progress with one of the largest land banks of any real estate firm in B.C. The company is now beginning to aggressively develop and merchandise this part of their holdings, and it is expected that this procedure will influence the earnings of the company substantially in the next two or three years.

With a stronger base to work from now than any time in its previous history, Great National Land & Investment Corp. Ltd. is now showing increasing strength in each area of operations. The company will continue to seek further opportunities both on its own account and for clients. In the next few years the structure of the company should enable it to profitably grow on a sound basis in all divisions.

Great National Land & Investment

Consolidated BALANCE SHEET

ASSETS		April 30 1972	Comparative April 30 1971
CURRENT			
Cash		\$ 135,101	\$ 130,800
Due from trust account		80,857	166,003
Accounts receivable and accrued		985,896	870,065
Real estate for sale and construction in progress — at lower of cost and net realizable value		1,284,710	1,777,067
Less: Construction progress draws		(423,588)	(473,791)
Stock in trade — at lower of cost and net realizable value		412,933	299,887
Prepaid expenses		26,998	30,310
		<u>2,502,907</u>	<u>2,800,341</u>
INVESTMENTS			
Mortgages and agreements receivable		3,694,783	3,321,899
Demand note receivable — Pacific Lands Ltd. (see contra)		119,854	186,641
Land held for development — at cost (Note 1)		974,448	930,210
Rental properties — at cost		3,224,557	2,717,192
Less: Accumulated depreciation (Note 1)		(377,481)	(261,085)
Investments in private companies — at cost (Note 1)			
Shares		25,754	18,290
Loans		151,259	101,634
		<u>7,813,174</u>	<u>7,014,781</u>
FIXED ASSETS (Note 2)			
Cost		327,974	257,800
Less: Accumulated depreciation (Note 1)		(95,620)	(76,038)
		<u>232,354</u>	<u>181,762</u>
OTHER			
Unamortized excess of cost of subsidiaries over book value of their net assets (Note 1)		434,120	458,820
Organization costs		11,184	11,184
Cost of issuing shares		7,015	7,015
Unamortized cost of issuing debentures and notes		73,120	84,448
		<u>525,439</u>	<u>561,467</u>
		<u>\$11,073,874</u>	<u>\$10,558,351</u>
TRUST ACCOUNT			
Cash		\$ 859,418	\$ 581,124

Approved on behalf of the Board:

MICHAEL KRONYK

Director

WILLIAM S. WATSON

Director

as at APRIL 30, 1972

LIABILITIES AND SHAREHOLDERS' EQUITY

	April 30 1972	Comparative April 30 1971
CURRENT		
Bank loans — secured	\$ 890,682	\$1,106,250
Accounts payable and accrued liabilities	1,058,651	1,167,076
Dividend payable	24,794	24,778
Estimated income tax liability (Note 5)	38,500	6,937
Deferred income taxes (Note 1)	24,100	—
	<u>2,036,727</u>	<u>2,305,041</u>
LONG-TERM DEBT		
Mortgages — secured on real property	4,467,161	3,756,861
Secured demand notes (see contra)	119,854	186,641
Debentures and secured notes (Note 3)	928,250	981,850
	<u>5,515,265</u>	<u>4,925,352</u>
OTHER		
Unrealized income — deferred real estate profits and mortgage discounts	1,139,303	972,592
Deferred income taxes (Note 1)	39,400	—
Minority interests in subsidiary companies	90,525	93,470
	<u>1,269,228</u>	<u>1,066,062</u>
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	1,980,224	1,978,624
Retained earnings (per accompanying statement)	272,430	283,272
	<u>2,252,654</u>	<u>2,261,896</u>
	<u>\$11,073,874</u>	<u>\$10,558,351</u>
TRUST ACCOUNT		
Due to clients — deposit and collection accounts	778,561	415,121
Due to general account	80,857	166,003
	<u>\$ 859,418</u>	<u>\$ 581,124</u>

Great National Land & Investment Corp. Ltd.

and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

for the year ended APRIL 30, 1972

		April 30, 1972	Comparative April 30, 1971
REVENUE			
Real estate and insurance commissions	\$1,499,534	\$1,115,069	
Less: Real estate and insurance commissions paid	767,971	555,412	
		\$ 731,563	\$ 559,657
		441,662	325,582
Rental income			
Sales of real estate	2,656,502	2,484,555	
Less: Cost of Sales	2,081,842	2,004,630	
	574,660	479,925	
Less: Margin deferred to future periods	203,995	264,325	
		370,665	215,600
Income from mortgages and notes		339,454	296,907
Merchandise sales	1,245,471	884,562	
Less: Cost of sales	1,007,699	720,656	
		237,772	163,906
Income from investments in private companies		28,946	4,045
Other income		166,813	123,268
		2,316,875	1,688,965
OPERATING EXPENSES			
General and administrative expenses	1,371,386	1,062,938	
Depreciation	140,325	118,629	
Property taxes (Note 1)	105,928	81,695	
	1,617,639	1,263,262	
	699,236	425,703	
BORROWING COSTS			
Interest on convertible debentures and secured notes	67,148	69,408	
Interest on other long-term debt (Note 1)	327,531	223,905	
Other interest	147,390	104,137	
Amortization of financing expenses	11,328	6,481	
	553,397	403,931	
Net income before the following items	145,839	21,772	
Discounts realized on bulk sale of agreements	—	105,074	
Net income before income taxes	145,839	126,846	
Current income taxes (Note 5)	38,500	6,937	
Deferred income taxes (Note 1)	44,000	—	
	82,500	6,937	
Net income	63,339	119,909	
Minority share of subsidiary losses — net	1,157	5,159	
Net consolidated income	\$ 64,496	\$ 125,068	

Great National Land & Investment Corp. Ltd.

and Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS for the year ended APRIL 30, 1972

	April 30 1972	Comparative April 30 1971
Retained earnings at beginning of year	\$ 269,009	\$ 216,065
Add: Reduction in prior year's income taxes (Note 5)	14,263	—
Adjusted retained earnings at beginning of year	283,272	216,065
Less: Deferred tax adjustment (Note 6)	19,500	—
	263,772	216,065
Add: Net consolidated income	64,496	125,068
Capital gains on redemption of debentures and secured notes	6,681	—
	334,949	341,133
Deduct: Amortization of cost of wholly owned subsidiaries	12,947	8,317
Dividends declared		
Class "A" shares	43,764	43,736
Class "B" shares	5,808	5,808
	62,519	57,861
Retained earnings at end of year	\$ 272,430	\$ 283,272

REPORT OF THE AUDITORS

The Shareholders

Great National Land & Investment Corp. Ltd.
Nanaimo, B.C.

We have examined the Consolidated Balance Sheet of Great National Land & Investment Corp. Ltd. and its subsidiary companies as at April 30, 1972 and the Consolidated Statements of Income, Retained Earnings, and Source and Application of Funds for the year ended on that date. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of other auditors with reference to the accounts of Nanaimo Realty (Courtenay) Ltd., Nanaimo Realty (Duncan) Ltd., District General Rental Corp. Ltd., and Five Acres Lands Ltd., which have been included in the consolidated statements.

In our opinion these consolidated financial statements present fairly the financial position of Great National Land & Investment Corp. Ltd. and its subsidiary companies as at April 30, 1972 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the changes outlined in Note 1 to the financial statements with which changes we concur.

CHURCH, PICKARD, LANE & NEWMAN
Chartered Accountants

NANAIMO, B.C.
September 12, 1972

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended APRIL 30, 1972

	April 30, 1972	Comparative April 30, 1971
SOURCE OF FUNDS		
From Operations		
Net consolidated income	\$ 64,496	\$ 125,068
Add: Charges (credits) Not Involving Current Funds		
Revenue deferred to future periods	203,995	264,325
Amortization of financing expense	11,328	6,481
Depreciation	140,325	118,629
Minority share of subsidiary losses	(1,157)	(5,159)
Deferred income taxes	\$ 44,000	
Less: Included in current liabilities	24,100	—
	438,887	509,344
Increase in mortgages payable	710,300	948,056
Investments by minority shareholders — net	15,845	59,377
Decrease in working capital	29,120	—
	1,194,152	1,516,777
APPLICATION OF FUNDS		
To increase in mortgages and agreements receivable	\$ 372,884	\$ 468,065
Add: Decrease in discounts	37,284	45,745
	410,168	513,810
To acquisition of rental properties	507,365	786,030
To acquisition of fixed assets	74,521	37,167
To investment in private companies — net	57,089	(8,485)
To investment in subsidiaries in excess of book value of net assets acquired	6,400	47,519
To investment in land held for development	43,718	(76,642)
To cost of organization and financing	—	1,387
To redemption of secured notes	45,319	—
To payment of dividends	49,572	49,544
To increase in working capital	—	166,447
	\$1,194,152	\$1,516,777

Great National Land & Investment Corp. Ltd.

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING POLICIES

(a) Basis of Consolidation

Included in the consolidated statements are the accounts of the following wholly owned and partially owned subsidiaries:

Wholly Owned

Beach Estates Ltd.
D. J. (Don) MacRae Insurance Agency Ltd.
First Northern Land & Investment Corp. Ltd.
Forest Park Estates Ltd.
Great National Development Corp. Ltd.
Nanaimo Mutual Investment Corp. Ltd.
Nanaimo Realty Co. Ltd.
Nanaimo Realty (1964) Ltd.
Nanaimo Realty Insurance Agency Ltd.
Nanaimo Trade-in Exchange Services Ltd.
Smugglers Hill Holdings Ltd.
Sun-Glo Lumber Ltd.

Partially Owned

Buttertubs Pass Estates Ltd.	55%
District General Rental Corp. Ltd.	67%
Five Acres Lands Ltd.	53%
Nanaimo Realty (Duncan) Ltd.	51%
Nanaimo Realty (Courtenay) Ltd.	51%
Paradise Mobile Homes Ltd.	70%
Sunnyslope Estates Ltd.	63%
Ucluelet Investments Ltd.	79%
Xeric Investments Ltd.	50.2%

Investments where the company holds 50% or less of the outstanding voting stock are carried at cost and income from the investments is not recorded until received.

The excess of cost over book value of shares of Beach Estates Ltd., Forest Park Estates Ltd., Nanaimo Mutual Investment Corp. Ltd., Sunnyslope Estates Ltd., and Five Acres Lands Ltd. is being written off over ten years.

The excess of cost over book value of these companies is	\$ 128,032
and the amount written off to date totals	62,274

Leaving a balance unamortized at April 30, 1972	<u>\$ 65,758</u>
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The excess of cost over book value of the other subsidiaries consists mainly of goodwill and no provision is made for amortizing these costs.

(b) Recognition of Income

Sales of subdivided land have been recorded on the signing of an enforceable contract but the profit thereon has been deferred until such time as the proceeds of the sale are received.

(c) Carrying Charges on Property held for Development

Interest and property taxes for the year on property held for development have been added to the cost of these properties.

Great National Land & Investment Corp. Ltd.

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (cont.)

(d) Depreciation

Rental properties and fixed assets are depreciated on the following bases:

Rental properties of brick or masonry construction	2½% of cost per annum
Rental properties of frame construction	5% of cost per annum
Other fixed assets	At various rates on the declining balance method

(e) Income Taxes

In the current year the company adopted the tax allocation method of accounting for income taxes.

(f) Changes in Accounting Procedures

- i) The inclusion of interest of \$39,021 and property taxes of \$8,432 in the cost of property held for development has resulted in an increase of \$47,453 in the recorded net income before taxes for the current year. No retroactive adjustment in respect of prior years has been made.
- ii) The application of the tax allocation basis for income taxes has resulted in a reduction of \$44,000 in the recorded net income for the current year. Deferred taxes of \$169,563 relating to prior years have not been recorded in the accounts.

These changes in accounting procedures are in accordance with recommendations of the Canadian Institute of Chartered Accountants.

NOTE 2 FIXED ASSETS

Details of fixed assets are as follows:

	April 30, 1972		April 30, 1971	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Vehicles	\$ 23,276	\$ 12,516	\$ 25,616	\$ 9,573
Leasehold improvements	45,422	24,415	38,762	17,899
Furniture and equipment	90,534	46,257	86,185	40,216
Buildings	76,637	12,432	76,637	8,350
Land	92,105	—	30,600	—
	<u>\$327,974</u>	<u>\$ 95,620</u>	<u>\$257,800</u>	<u>\$ 76,038</u>

NOTE 3 DEBENTURES AND SECURED NOTES

Debentures and secured notes outstanding are as follows:

	April 30 1972	April 30 1971
6½% Series "A" convertible debentures redeemable on or before October 1, 1974	\$ 139,600	\$ 140,600
7% Series "B" convertible debentures redeemable on or before February 15, 1976	111,150	111,750
7% Series "A" convertible secured notes due November 15, 1988	677,500	729,500
	<u>\$ 928,250</u>	<u>\$ 981,850</u>

Great National Land & Investment Corp. Ltd.

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (cont.)

The Series "A" debentures are convertible into Class "A" shares at the option of the holder at the rate of \$1.00 per share until October 1, 1974.

The Series "B" debentures are convertible into Class "A" shares at the rate of \$1.00 per share until February 1, 1976.

The Series "A" secured notes are convertible into Class "A" shares at the option of the holder until November 30, 1973 at the rate of \$2.00 per share and thereafter up to November 30, 1978 at the rate of \$2.50 per share.

The notes are redeemable to maturity at a premium which was 6 3/4% at November 15, 1971 and which reduces by 3/8% per annum thereafter.

A sinking fund is required for the redemption of \$25,000 notes annually to November 30, 1973 and \$35,000 thereafter until maturity. Conversion of notes, on a cumulative basis, has satisfied the sinking fund requirements until November 30, 1972.

NOTE 4 SHARE CAPITAL

The issued share capital increased during the year as follows:

	Number of Shares	Amount Paid Up
Class "A" Common Shares		
Balance May 1, 1971	2,187,393	\$1,689,967
Shares issued during the year for conversion of		
Series "A" debentures	1,000	1,000
Series "B" debentures	600	600
	<u>2,188,993</u>	<u>1,691,567</u>
Class "B" Common Shares		
Balance May 1, 1971 and April 30, 1972	<u>290,412</u>	<u>288,657</u>
Total share capital, April 30, 1972	<u>2,479,405</u>	<u>\$1,980,224</u>

250,750 Class "A" shares are reserved for the conversion of Series "A" and "B" debentures and 338,750 Class "A" shares are reserved for the conversion of Series "A" secured notes.

Class "A" shares carry one vote per share and Class "B" shares each carry fifty votes, subject to certain restrictions.

Great National Land & Investment Corp. Ltd.

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENT (cont.)

NOTE 5 ADJUSTMENT OF PRIOR YEAR'S INCOME TAXES

For the year ended April 30, 1971, a subsidiary company claimed deductions from taxable income when filing its income tax return in excess of the deductions used for calculating the provision in the accounts. This change resulted in a reduction of \$14,263 in the reported income tax liability for that year. The comparative figures in these financial statements have been restated accordingly.

NOTE 6 DEFERRED TAX ADJUSTMENT

The deferred tax balance of the parent company decreased by \$19,500 in the year. This decrease has been charged to retained earnings and deducted from the current year's consolidated provision for deferred income taxes, in accordance with a recommendation of the Canadian Institute of Chartered Accountants as to the procedure to be followed where a change to the tax allocation basis of accounting for deferred taxes is made without retroactive adjustment.

NOTE 7 CONTINGENT LIABILITIES

Contingent liabilities in respect of guarantees of bank and other loans amount to \$373,045 at April 30, 1972.

NOTE 8 DIRECTORS' REMUNERATION

The total remuneration paid during the year to twenty-one directors, including salaries, commissions and other employee benefits paid to directors in their capacity as officers and employees, was \$200,962.



GREEN MOUNTAIN

The Island has great appeal for both the winter and summer sportsmen. Above is a typical scene from the Green Mountain area just over an hours drive from Nanaimo.



NANAIMO INDUSTRIAL PARK — The company is now exploring the feasibility of developing another major industrial park on present land holdings.

FIRST QUARTER HIGHLIGHTS

THREE MONTHS ENDED JULY 31

	1972	1971	1970	1969
GROSS ASSETS	\$10,994,154	\$11,070,407	\$ 9,073,428	\$ 8,073,110
GROSS INCOME	1,452,118	1,486,801	586,357	511,546
OPERATING PROFIT	51,968	43,520	18,334	(2,970)
TAXES ON INCOME	14,974	6,760	1,885	— —
EARNINGS PER COMMON SHARE	.013	.013	.0057	— —
RETAINED EARNINGS	306,144	302,863	230,128	177,579
DEFERRED PROFIT RESERVE	1,183,896	1,043,797	771,266	393,152
COMMON SHARES OUTSTANDING	2,479,405	2,477,805	2,462,355	2,446,955



NANAIMO REALTY COURTENAY. This office has shown an outstanding increase in sales during the past few months and has strengthened its sales substantially. As more subdivisions are opened in this area, offices such as this will be effective vehicles for efficient merchandizing.

NANAIMO REALTY CAMPBELL RIVER

This branch, after initial start-up difficulties, is now showing a healthy increase in sales. The company has purchased land in the area and will be announcing a number of new developments shortly. Construction is now underway to double the size of the office.



Pictured at right is the small branch office at Duncan. This area is experiencing increased growth and the branch office is progressing favourably in giving our clients better service. Two fairly large subdivisions will be opened in this area in the next two or three months. A new building site nearby has recently been purchased from an oil company and construction of a new modern office will commence in the new year. This will be closer to the downtown area in a strategic location.



COHO COVE – This 185 lot subdivision in the Gulf Islands overlooking the famous Dodd's Narrows and the heart of the Gulf Islands, has developed strong market appeal, with lots selling rapidly. This development will be one of the last in the Gulf Islands for some time as there is now a subdivision freeze in this world famous water wonderland.



GREEN LAKE – This beautiful area is now moving very quickly. The first two sections have been sold and the final section is now on the market. Green Lake is one of the few privately owned lakes on Vancouver Island, with its 130 acres completely surrounding the lake which is noted for its fine fishing. Nearly 90% of the lots are now sold.

RESIDENTIAL DEVELOPMENT

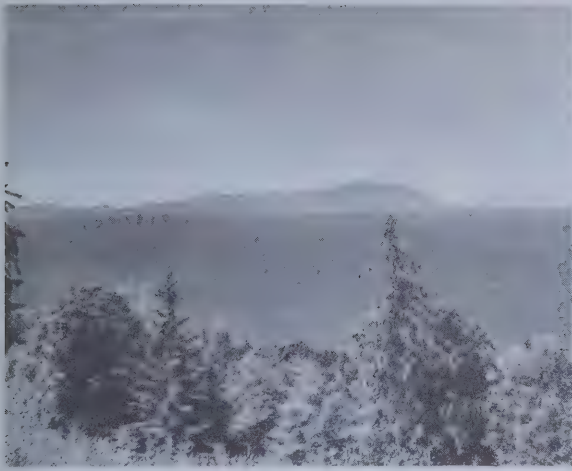


CILAIRE

This beautiful subdivision with underground wiring, is now 85% sold-out, with sales of approximately one million dollars. None of these sales have been reflected in the financial statement. The company is continuing to build new homes in this area.



Pictured above is the development of the first two phases of Lakeside Park. Nearly 100 homes have now been constructed and sold. Further development of more homesites is now underway. This development has proved extremely successful. A sand beach and recreational area has been constructed for the enjoyment of the residents.



OCEAN VILLAGE – This subdivision with a tremendous panoramic view of the Straits of Georgia just north of Nanaimo, has been exceptionally popular during the last year. Over 100 lots have been opened up in the last 60 days, and are now nearly one half sold out. There is still over 300 acres left for development in this area, which is prime property.



SMUGGLERS' HILL – The second stage of this subdivision has now been developed and there are now only half a dozen lots left. The remaining 60 lots will be developed this coming year.



Pictured above are typical economy style homes which enjoy strong market appeal, as they can be sold with very low down payments under N.H.A.



Pictured above is an aerial view of rental units leased by the company bordering the beautiful 18 hold Nanaimo Golf Course. Property management has expanded substantially during the past year and includes residential, commercial and industrial leasing.

KENSINGTON AND LANCELOT GARDENS. These were built seven years ago and initially were operating in a very competitive market. With increasing costs in the construction industry and higher interest rates, the earnings of this type of complex are increasing strongly.



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THE WORLD FAMOUS BATHTUB RACE

Nanaimo is a distribution and wholesale center for Vancouver Island, with economy based on a growing forestry product, fishing, mining, agriculture and tourism. The city is well known for its famous Bathtub Race from Nanaimo to Vancouver.

